

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

2 HD1951
AIE6
copy

STA

U.S. Department
of Agriculture
Washington, D.C.

Volume 2, Number 6

November/December 1984

Economic Research Service

A Bimonthly Newsletter for Economic Research Service Employees and Colleagues

OUTLOOK CONFERENCE WILL FOCUS ON FARM BILL

USDA's 1985 National Outlook Conference will be held December 3-5, 1984, in Washington, DC. Prospects for the 1985 farm bill will be examined during the first 2 days, along with the outlook for the economy, agriculture, and trade. The farm bill session will include participants from the U.S. House of Representatives, U.S. Senate, Administration, agribusiness, and farm sector.

A 900-line telephone service (50¢ for the first minute, 35¢ for each additional minute) that allows you to hear speeches as they are delivered will cover most of the conference. To receive a preliminary program that contains the 900-line numbers, call 202-447-3050.

NRED LAUNCHES NEW SEMINAR SERIES

John Miranowski, Director of ERS' Natural Resource Economics Division (NRED), has announced a new, in-house seminar series, organized and coordinated by NRED Assistant Director Neill Schaller. It will include a mix of guest speakers and NRED analysts.

At the first seminar on September 28, NRED Economists Shwu-Eng Webb and Clayton Ogg discussed "A Modified CARD-LP Model for Resource Policy Analysis." At the second seminar on October 5, NRED Economist Daniel Colacicco reported on "Methods of Estimating the Benefits of Conservation Programs."



BACKGROUND PAPERS FOR 1985 FARM BILL RELEASED

ERS has published 14 papers summarizing the U.S. experience with various commodity programs. The papers provide background information to Congress, farm groups, agricultural economics researchers, and others as debate begins on the development of farm legislation to replace the Agriculture and Food Act of 1981, which covers the 1982-85 crops.

Papers were prepared for **Honey** (AIB-465), **Wool and Mohair** (AIB-466), **Wheat** (AIB-467), **Tobacco** (AIB-468), **Peanuts** (AIB-469), **Rice** (AIB-470), **Corn** (AIB-471), **Soybeans** (AIB-472), **Oats** (AIB-473), **Dairy** (AIB-474), **Sorghum** (AIB-475), **Cotton** (AIB-476), **Barley** (AIB-477), and **Sugar** (AIB-478).

Each paper includes information on:

- the structure of the commodity industry;
- U.S. consumption and trade;
- farm prices, costs, and returns;
- the history of the commodity program; and
- program effects and their implications for future commodity programs.

To obtain a free copy of any of these papers (while supplies last), write to the Publications Office, EMS/USDA, Room 0054-South, Washington, DC 20250-3500, or call 202-447-7255.

Inside . . .

Current Research	2
Administrator's Letter	3
Recent Publications	6
Staff Notes	7
Ordering Information	8

Current Research

TOWARD 2005: A NEW ERS-NRC COOPERATIVE STUDY

ERS and the Northeast Regional Council of the Joint Council on Food and Agricultural Sciences have joined forces to begin a 15-month study, **Toward 2005**, which will examine the agricultural, food, and forest sectors in 12 States of the Northeast. ERS Economist Mark Bailey has been detailed to be Executive Director of the study.

First, researchers will analyze factors which directly or indirectly affect agriculture in the Northeast, including changes in population, the socioeconomic environment, transportation, technology, energy costs, and consumption patterns. Next, researchers will examine the implications of factor projections on the agricultural, food, and forest industries.

If you wish to contribute data, ideas, or assistance to the **Toward 2005** project or are interested in receiving a copy of the project statement, contact Mark Bailey, 133 Townsend Hall, University of Delaware, Newark, DE 19717-1303 (302-451-1394).

ERS, FLORIDA STATE ANALYZE LABOR MARKET PERFORMANCE

ERS' Economic Development Division (EDD) is undertaking a new project on labor market performance to determine the effects of changes in economic structure and employment on the performance of nonmetro labor markets. EDD, in cooperation with Florida State University, is delineating local labor markets. Eventually all counties will be placed in labor market areas. Those delineations will then be used as a basis for structuring a data base for labor market analyses.

ERS, WISCONSIN CONTINUE RURAL FINANCE RESEARCH

Since 1982, ERS' Economic Development Division (EDD) and the University of Wisconsin have jointly conducted several cooperative research studies on rural finance topics, addressing questions like:

- How do small rural businesses obtain starting capital?
- What is the capacity of local financial institutions to assist commercial and industrial development?
- What are the nonmetro venture capital markets?
- What have been the effects of financial market deregulation on rural areas?

One finding of the cooperative research is that most new small businesses in Wisconsin borrowed, usually from a bank, to finance their startup. Another study found that 40 percent of rural Wisconsin banks had no experience in making loans that were either Government guaranteed or sold to another party.

Economic Research Service

U.S. Department
of Agriculture
Washington, D.C.

Volume 2, Number 6

November/December 1984

Editor

Amy Donoghue (447-8710)
Office of the Administrator
ERS/USDA, Room 450-GHI
Washington, DC 20250-1800

Layout Artist

Carolyn Riley (382-1898)
Information Division
Economics Management Staff (EMS)

Data Services Center Rep.

Beverly Anders (447-4382)

Economic Development Div. Rep.

Paul Myers (475-4235)

Information Div. (EMS) Rep.

Lindsay Mann (447-7305)

International Economics Div. Rep.

Cecil Davison (447-8054)

National Economics Div. Rep.

Kathryn Lipton (447-8707)

Natural Resource Economics Div. Rep.

Kenneth Krupa (475-5707)

ADMINISTRATOR'S LETTER



Photo by Marshall Cohen

In an earlier issue of this **Newsletter**, I wrote that a major responsibility of ERS is to analyze the economics of public policies and how they relate to all aspects of economic and social performance. That is also the most important challenge facing the agricultural economics profession, because our credibility and worth to society depend on having something useful to say about the effectiveness of alternative approaches to achieving public policy objectives.

The economics of public intervention is not a new subject. But it needs new emphasis now, for several reasons.

Chiefly, there is a new wave of interest in the role of public intervention and the long-term effects of some past, current, and alternative future forms of intervention. That interest has been heightened by recent partial analyses that suggest long-term and indirect program effects are not consistent with stated policy objectives.

We need to reemphasize this aspect of economic thought and research because ERS and the agricultural economics profession at times become so preoccupied with micro and partial analyses that we are unable to deal with the bigger questions.

We can approach the economics of public intervention by examining alternatives to, or consequences of, existing policies and programs. Studies of policies and programs must be comprehensive and include direct, indirect, short-term, long-term, and distributive effects, and effects on efficiency and other performance criteria.

Examples of urgently needed studies of the economics of public intervention abound in agriculture--commodity price support programs, agricultural and rural credit programs, tax policies as they apply to agriculture, marketing orders, water policies, and soil conservation policies, to name just a few.

Public policy research is difficult and not without risks. The data base is rarely adequate. Costs, and particularly benefits, are difficult to identify and measure. Partial analyses, traditionally favored because of their manageability, are useful but limited. And the research results are not always viewed favorably by program administrators or policymakers.

But difficulties and risks have to be accepted as part of doing the most important job facing ERS and the agricultural economics profession today. To turn away from that task--to those less risky and more doable--is to run the greater risks of irrelevance and less public support.

Analyzing the performance of the agricultural and rural sectors in achieving society's objectives, and assessing the role of public intervention in relation to that performance....Those will be important parts of the ERS research agenda in the years ahead.

John Lee

Current Research, continued

FOOD IRRADIATION

Recent concerns about chemical food preservatives have focused attention on finding nonchemical substitutes. Food irradiation--the use of ionizing radiation to kill insects or destroy microorganisms that cause spoilage or disease--is one nonchemical alternative.

Under current U.S. law, irradiation can be used only on wheat, wheat flour, potatoes, and spices. However, the Food and Drug Administration is reviewing public comments on a proposed rule that would (1) allow processors to irradiate a wider range of foods at low dosages and (2) raise the level of irradiation permissible for spices.

ERS Economist Rosanna Morrison is studying some of the issues attending food irradiation, including the costs, economies of size, labor and equipment needs, and regulatory compliances. Because food irradiation is in its infancy, data on costs and economies of size must come from industrial sources.

Examples of other questions Morrison will address include:

- What foods are likely to be irradiated next?
- What types of firms are likely to adopt or offer this technology?
- What factors will influence the adoption rate?

ERS Economist Tanya Roberts is estimating the monetary value of some of the benefits of food irradiation, especially in the area of public health protection from diseases such as trichinosis and salmonellosis.

ERS TO CONDUCT SINGLE FARM COSTS AND BUSINESS SURVEY

Two previous surveys of (1) costs of production and (2) farm production expenditures are being combined into a single farm costs and business survey of a large nationwide sample of farm operators.

The initial questionnaire has been developed and is under review.

Major changes include:

- an expanded farm fuel and machine expenses section;
- a revised marketing expenses section that separates container and transportation expenses from other marketing expenses;
- more complete information on crop acreages, debt, and assets; and
- revised sales categories.

The new survey will be early in 1985 with results published by USDA's Statistical Reporting Service in **Farm Production Expenditures** and by ERS in a series of publications on **Economic Indicators of the Farm Sector**.

PRESCOTT DEVELOPS SIMULATOR FOR ENTERPRISE COSTS OF PRODUCTION

ERS Economist Richard Prescott is developing a procedure to obtain enterprise costs of production from whole farm data sets using regression analysis. He has produced a simulator that generates input and expense data for a sample of farms and has demonstrated that ordinary least squares regression techniques can accurately estimate the costs of production.

Prescott is applying those techniques to farm production expenditures survey data to generate costs of production estimates. He will then evaluate the relationship between costs of production and farm size.

HISTORY OF AID TO FOREIGN AGRICULTURE

ERS Historian Jane Porter and Economist Ray Nightingale are documenting the history of U.S. aid to agriculture in foreign countries. Even though the United States has promoted economic development in the Third World for over 40 years, this is the first attempt to summarize the whole experience in a detailed historical work.



FOCUS ON BLACK FARMERS

ERS' Economic Development Division has launched three research projects to address the problems of black farmers.

One study by ERS Economists Robert Hoppe and Herman Bluestone will identify regional differences in black farm operations as well as differences in the socioeconomic well-being of black farmers.

Hoppe and Bluestone will determine how those differences relate to industrial growth and development in the black farming regions. The study will be based on:

- published data for all farmers;
- a special tabulation for black farmers from the 1978 Census of Agriculture;
- the 1970 and 1980 Population Censuses; and
- employment and income data from the Bureau of Economic Analysis.

Though not slated for completion until early 1985, preliminary findings suggest that black farmers are doing better in nonmetro counties undergoing rapid economic growth and development than in other counties.

Another study, by ERS Demographer Vera Banks, will identify key characteristics of black farmers. She will use data from the 1978 Census of Agriculture and the 1979 Farm Finance Survey.

A third study, by ERS Economists Linda Ghelfi and Priscilla Salant at the University of Wisconsin, will use data from the Census Bureau's Public Use Micro Sample to study poverty among black farmers.

DURST, JEREMIAS STUDY DAIRY TAX INCENTIVES

Tax incentives for investment in all types of depreciable capital have been increased in recent years. Some assets used in dairy production have received more favorable treatment than other farm and nonfarm capital. The Economic Recovery Tax Act of 1981 provides that most assets used in dairy production can be written off over a 5-year period and still qualify for the 10-percent investment tax credit. That provision has caused dairy investments to rise at a time when excess production is raising the cost of the USDA's price support program.

ERS Economists Ron Durst and Ron Jeremias are studying those tax incentives. Their research indicates that effective tax rates for investment in most dairy assets are well below statutory levels. Some rates are actually negative, indicating that investors can shelter income from other sources as a result of the excess depreciation deductions and tax credits.

BLAYLOCK, SMALLWOOD STUDY FOOD STAMP PARTICIPATION

ERS Economists James Blaylock and David Smallwood are studying the determinants of household food consumption and expenditures. They have applied a variety of econometric techniques to several economic models that focus on:

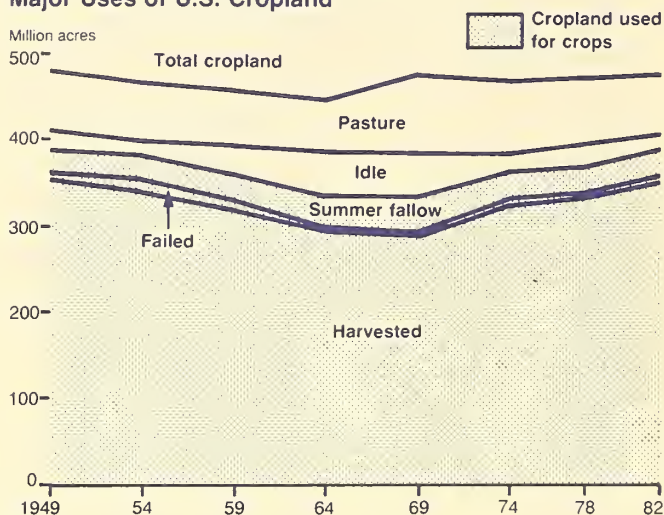
- the influence of food stamps on household food expenditures;
- program participation rates; and
- the reasons eligible households choose not to participate.

Recent Publications

ERS LAUNCHES NEW REPORT ON CROPLAND USE AND SUPPLY

A new outlook and situation report featuring cropland use and supply premiered in September. **Cropland Use and Supply: Outlook and Situation** (CUS-1), by Roger Hexem and William Anderson, contains information on the U.S. cropland base, intensity of cropland use, and the potential for conversions to cropland.

Major Uses of U.S. Cropland



To obtain a free copy of this report (while copies last), write to the Publications Office, EMS/USDA, Room 0054-South, Washington, DC 20250-3500, or call 202-447-7255.

RECENT INPUTS REPORT HIGHLIGHTS ENERGY

Farmers are experiencing a much better energy outlook than in recent years. Fuel of all types is plentiful and prices are holding steady.

Information about energy prices, four special articles on energy, and data on other farm inputs are featured in the August issue of **Inputs: Outlook and Situation** (IOS-5) coordinated by Herman Delvo (GPO, \$8.50 per year--four issues).



DAIRY POLICY SUBJECT OF RECENT STAFF REPORTS

The Dairy and Tobacco Adjustment Act of 1983 mandated a study of the effects of Federal adoption of the California standards for solids in fluid milk. The California standards require higher butterfat and nonfat solids than the current Federal standards set by the Food and Drug Administration.

The findings of the Congressionally mandated study are detailed in **Nationwide Adoption of the California Solids Standards for Fluid Milk Products: Issues and Impacts** (ERS Staff Report AGES-840816) by Robert Boynton (Cornell University) and Richard Fallert, prepared under a cooperative agreement between ERS and Cornell University (NTIS, \$10.00). The report addresses issues in the areas of consumer acceptance, nutritional augmentation, enforcement of minimum standards, Commodity Credit Corporation purchases, product quality, and consumer prices.

Dairy policy is also the focus of another recent ERS staff report. A longstanding public interest in the economics of the dairy industry has fostered major research efforts at all levels of government. As part of USDA's review of Federal dairy programs, ERS prepared a bibliography of dairy research focusing on public policy issues of the 1970's and early 1980's: **Recent Dairy Policy Publications with Selected Annotations** (ERS Staff Report AGES-840417) by Suzanne Dash and Judith Sommer (NTIS, \$8.50).

Staff Notes

ERS-BAE EXCHANGE CONTINUES

In the latest phase of the continuing exchange program between ERS and Australia's Bureau of Agricultural Economics (BAE), Max Lawrence, left, joined ERS in June. Lawrence, a longstanding staff member of the BAE, heads its Industrial Crops Marketing and Outlook Section, which deals mainly with sugar marketing and policy issues. Lawrence replaces Henry Haszler, who returned to the BAE as Officer-in-Charge of the Wool Marketing and Outlook Section.

Lawrence's work in ERS includes writing on the Australian sugar and cotton industries, analyzing the world sugar market as background for the 1985 farm bill, and analyzing U.S. grain policies.

While Lawrence is in Washington, DC, ERS Economist Milton Ericksen, Chief of the Crops Branch, National Economics Division, is in Canberra working in BAE's Economic and Policy Analysis Branch.

While at the BAE, Ericksen will be involved in several projects, including assisting BAE's chief commodity analyst in coordinating BAE's forecasting efforts.



ALLEN PAUL RETIRES

ERS Economist Allen Paul retired in May after more than 26 years with ERS and its predecessor agencies. Paul

joined USDA in 1958 after serving as Assistant Professor at the University of Illinois, Research Economist at the Brookings Institution, and Visiting Professor at the University of Hawaii. In ERS, Paul served as Branch Chief and Program Leader in



the pricing area. In 1979, he took a position as Senior Economist in the Farm Sector Economics Branch of ERS' National Economics Division.

Paul is widely recognized for his work on the functioning of markets, the role of market institutions, and the operation of futures markets. His research has been reported in a wide range of publications. Paul's **Treatment of Hedging in Commodity Market Regulations** (1976) is considered the best available treatise on regulating futures trading.

Paul served as Book Review Editor for the **American Journal of Agricultural Economics** from 1969 to 1971 and as Editor of **Agricultural Economics Research** from 1970 to 1975. He has also been active in the American Agricultural Economics Association and the International Association of Agricultural Economists.

AHRENS TO HEAD DSC

Michael Ahrens, left, has assumed the duties of Acting Director of ERS' Data Services Center (DSC) for a 1-year period while DSC Director Alice Tennes is on a leave of absence.



Ahrens brings 18 years of experience to his newest leadership position. As Chief of DSC's Information Resources Branch, Ahrens directed the operation of ERS' minicomputer, supervised the purchasing and maintenance of ERS' ADP equipment, served as the ERS liaison to USDA's Washington Computer Center, and provided consulting services and training in computer software packages.

ERS NEWSLETTER

NOTICE TO ERS COLLEAGUES

To receive your own copy of this free **Newsletter** or to change your address, send your name, institutional affiliation, and address to **ERS Newsletter**, ERS/USDA, Room 450-GHI, Washington, DC 20250-1800, or call 202-447-8710.

ABSTRACTS OF STAFF REPORTS-- A FREE PUBLICATION

Abstracts of Staff Reports, issued several times a year, describes new ERS Staff Reports and how to order them. To subscribe to this free publication, send your name, institutional affiliation, and address to **Abstracts of Staff Reports**, EMS/USDA, Room 1470-South, Washington, DC 20250-3500, or call 202-447-7305. ERS colleagues who receive this **Newsletter** will automatically receive **Abstracts of Staff Reports**.

REPORTS--A FREE CATALOGUE

Reports (formerly **ERS Abstracts**), issued several times a year, describes new ERS publications (except ERS Staff Reports) and how to order them. To subscribe to this free catalogue, send your name, institutional affiliation, and address to **Reports**, EMS/USDA, Room 1470-South, Washington, DC 20250-3500, or call 202-447-7305. ERS colleagues who subscribed to **ERS Abstracts** will automatically receive **Reports**.

United States
Department of Agriculture

Washington, D.C.
20250

OFFICIAL BUSINESS
Penalty for Private Use, \$300

UPCOMING MEETINGS

- | | |
|------------|--|
| Dec. 3-5 | USDA's annual National Outlook Conference, Washington, DC. |
| Dec. 28-30 | Allied Social Science Associations annual meeting, Dallas, TX. |

HOW TO ORDER ERS PUBLICATIONS . . .

From the National Technical Information Service (NTIS)

Order by title, series, and number the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161. You may pay by check to **NTIS** or charge your purchase to your VISA, MasterCard, American Express, or NTIS Deposit Account. Charge orders are accepted by telephone (703-487-4780). **All ERS publications are available from NTIS on microfiche for \$4.50 each.**

From the Government Printing Office (GPO)

Order by title, series, and number from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. You may pay by check to **SupDocs** or charge your purchase to your VISA, MasterCard, or GPO Deposit Account. Charge orders are accepted by telephone (202-783-3238).



Postage and Fees Paid
U.S. Department of Agriculture
AGR-101

FIRST CLASS